

Message Text

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ACTION OES-09

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FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 8006

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E.O. 11652: N/A
TAGS: TECH, ENRG, ETRD, CA
SUBJECT: INCREASED EFFORT ON RENEWABLE ENERGY RESOURCES

DEPARTMENT FOR OES/NET AND PLEASE PASS DOE/VANDERRYN

1. SUMMARY: ON 4 JULY 1978 THE MINISTER OF ENERGY, MINES AND RESOURCES ANNOUNCED THE INTENTION OF THE GOC TO BECOME A MAJOR PURCHASER OF SOLAR SPACE AND WATER HEATING EQUIPMENT FOR ITS OWN BUILDINGS TO ENCOURAGE CANADIAN MANUFACTURING. IT ALSO WAS ANNOUNCED THAT THE FEDERAL GOVERNMENT WILL SPEND DOLS 380 MILLION OVER THE NEXT FIVE YEARS TO DEVELOP MORE ENERGY FROM THE SUN, GARBAGE AND THE FORESTS THROUGH INCREASED R&D, SUBSIDIES TO CANADIAN INDUSTRY AND PREFERENTIAL PURCHASING. PROGRAM IS INTENDED BOTH TO INCREASE AVAILABILITY OF ENERGY FROM RENEWABLE SOURCES AND TO FOSTER DOMESTIC SUPPLIERS OF RELATED EQUIPMENT. END SUMMARY.

2. ALASTAIR GILLESPIE, MINISTER OF EMR, ISSUED A STATEMENT AT TORONTO ON 4 JULY OF THE INTENTION OF THE GOC TO ENCOURAGE THE DEVELOPMENT OF SOLAR AND OTHER RENEWABLE ENERGY RESOURCES. ONE MAJOR OBJECTIVE IS TO PROVIDE SUFFICIENT FINANCIAL SUPPORT TO CANADIAN INDUSTRY TO MAKE IT COMPETITIVE IN
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FIVE YEARS WITH SUPPLIERS OF SOLAR UTILIZATION EQUIPMENT IN OTHER COUNTRIES (PARTICULARLY THE U.S.).

3. THERE IS A CONCERN ON THE PART OF THE GOC THAT, IN THE U.S. AND OTHER COUNTRIES, AN INDUSTRY IS EVOLVING TO PRODUCE SOLAR EQUIPMENT AND COMPONENTS AND THAT UNLESS CANADA MOVES QUICKLY ITS INDUSTRY WILL BE SHUT OUT OF A LARGE FU-

TURE MARKET FOR SUCH EQUIPMENT. THIS MARKET, IN CANADA ALONE, WAS ESTIMATED TO BE DOLS400-800 MILLION A YEAR BY 1990.

4. THE FEDERAL PURCHASE PROGRAM IS DESIGNED TO CREATE A MARKET FOR CANADIAN COMPANIES, TO HELP THEM BEAR THE RISKS OF TECHNICAL INNNOVATION, AND TO PROVIDE INCENTIVES FOR REDUCING COSTS OF SOLAR HEATING SYSTEMS.
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5. EXISTING CANADIAN MANUFACTURERS WILL BE ENCOURAGED THROUGH THE GOVERNMENTAL PURCHASE OF SOLAR HEATING SYSTEMS. THIS PROGRAM WILL BUILD UP TO ABOUT \$50 MILLION IN ANNUAL CAPITAL EXPENDITURES BY 1984.

6. FEDERAL DEPARTMENTS INVOLVED IN BUILDING WILL BE ALLOWED TO PAY A SUBSTANTIAL PREMIUM FOR SOLAR HEATING PLANTS IN THE FIRST YEAR, A SMALLER PREMIUM IN THE SECOND YEAR, AND WILL ALLOW PREMIUMS DECREASING TO ZERO BY 1984. (IT IS ANTICIPATED THAT THE COMPETITIVE MARKET WILL BE OF SUFFICIENT SIZE BY 1984 THAT NO FURTHER SUBSIDY WILL BE REQUIRED.) THE COST OF THIS PROGRAM IS ESTIMATED TO BE \$125 MILLION WITH MOST OF THIS COMING BACK TO THE GOVERNMENT THROUGH FUEL SAVINGS. IT ALSO IS ESTIMATED THAT SOME 15,000 MANYEARS OF EMPLOYMENT WILL THUS BE CREATED.
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7. IN ADDITION, THERE WILL BE A COST-SHARING PROGRAM TO ENCOURAGE CANADIAN INDUSTRIAL DESIGN, TESTING AND PRODUCTION TOOLING FOR SOLAR COMPONENTS. AS MANY AS TEN AWARDS OF BETWEEN \$200,000 AND \$300,000 WILL BE AWARDED COMPETITIVELY TO THE BEST APPLICANTS TO ENCOURAGE A NEW INDUSTRY.

8. IN THE FOREST PRODUCTS AREA, THE OBJECTIVE IS TO DOUBLE (TO 7 PERCENT) THE CONTRIBUTION OF WOOD AND URBAN WASTES TO THE NATIONAL ENERGY BUDGET BY 1985. MOST OF THIS INCREASE WILL COME FROM MORE UTILIZATION OF WASTE WOOD AT MILL SITES AND FROM WASTES NOW LEFT IN THE FOREST.

9. TO ACCOMPLISH THIS OBJECTIVE THE GOC WILL A) CONTRIBUTE 20 PERCENT OF THE CAPITAL COSTS OF EQUIPMENT TO USE THESE WOOD WASTES; B) EXTEND LOAN GUARANTEES OF UP TO 50 PERCENT OF THE CAPITAL COSTS FOR NEW OR EXPANDED SYSTEMS TO USE FOREST OR URBAN WASTES; C) EXTEND THESE GUARANTEES TO AS MUCH AS TWO-THIRDS OF THE CAPITAL COSTS IF THEY ARE EFFICIENT, "TOTAL ENERGY" SYSTEMS.

10. IT IS ANTICIPATED THAT THESE STEPS WILL CREATE
9,000 MANYEARS OF WORK IN THE CANADIAN FOREST EQUIPMENT
SUPPLY INDUSTRY AND 15,000 MANYEARS IN THE FORESTRY
INDUSTRY ITSELF, BETWEEN NOW AND 1985.

11. IN ADDITION, THERE WILL BE AN EXPANSION OF EFFORT
IN THE DEVELOPMENT AND TESTING OF OTHER NEW RENEWABLE
ENERGY TECHNOLOGIES AND IN ENERGY CONSERVATION. THE
PRESENT \$145 MILLION PER YEAR NOW BEING SPENT ON ENERGY

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RESEARCH THROUGH FEDERAL-PROVINCIAL AGREEMENTS WILL BE
SUPPLEMENTED.

12. COMMENTS: THE CANADIAN EFFORT TO DATE IN THE
DEVELOPMENT OF RENEWABLE ENERGY RESOURCES HAS BEEN SMALL
AND SOMEWHAT SPORADIC. A THREE-YEAR PROGRAM FOR THE
TESTING OF THE USE OF SOLAR HEATING, AS A SUPPLEMENT TO
CONVENTIONAL HEATING, FOR SINGLE AND MULTIPLE FAMILY
DWELLINGS IS ABOUT HALF FINISHED. A SMALL PROGRAM FOR
TESTING FLAT PLATE COLLECTORS FROM ALL SOURCES (INCLUDING
U.S., FRANCE, AND ISRAEL) IS UNDERWAY. THE WINDMILL
GENERATOR ON THE MAGDELLAN ISLANDS IS IN THE INITIAL
PHASES OF TESTING. WORK ON FOREST PRODUCTS HAS BEEN
STARTED.

13. THE MAJOR THRUST OF THIS NEW ANNOUNCEMENT IS THAT
THE GOVERNMENT IS NOW CONCERNED THAT CANADA WILL SOON
BECOME AN IMPORTER RATHER THAN MANUFACTURER OF ALL MAJOR
EQUIPMENT FOR RENEWABLE ENERGY RESOURCE UTILIZATION.

THEREFORE THESE STEPS ARE BEING TAKEN (HOPEFULLY) TO
DEVELOP A SELF-SUFFICIENT CANADIAN INDUSTRY TO PRODUCE
SUCH EQUIPMENT.

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14. THE PROJECTIONS OF MARKETS FOR THESE PRODUCTS IN
CANADA, WITH ITS RELATIVE ABUNDANCE OF OTHER ENERGY
RESOURCES, APPEAR TO BE VERY OPTIMISTIC. THE COMPETI-
TIVENESS OF CANADIAN INDUSTRY FOR THIS MARKET EVENTUALLY
WILL DEPEND UPON PRICE AND, WITH THE MODEST FEDERAL
SUPPORT PROPOSED, IT IS DOUBTFUL THAT THIS INDUSTRY WILL
POSE A SERIOUS THREAT TO U.S. MANUFACTURERS.

15. A COPY OF THE MINISTER'S STATEMENT OF 4 JULY AND
THE BACK-UP PAPERS WILL BE POUCHED TO DOE.
ENDERS

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